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SUMMARY RECORD OF THE 5th MEETING

Chairman: Ms. PEÑA (Mexico)
(Vice-Chairman)

later: Mr. TEIRLINCK (Belgium)
(Chairman)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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In the absence of Mr. Teirlinck (Belgium), Ms. Peña (Mexico), Vice-Chairman, took the chair.

The meeting was called to order at 10.20 a.m.

AGENDA ITEM 112: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/49/11)

1. Mr. OWADA (Japan) thanked the Chairman and members of the Committee on Contributions for the work they had accomplished at that Committee's fifty-fourth session and, in particular, for the recommendation contained in the report (A/49/11) concerning the scale of assessments for the years 1995, 1996 and 1997.

2. The financial soundness and viability of the United Nations depended on the full payment of the assessments levied on Member States; his delegation had therefore noted with great concern the statement made by the Secretary-General in the plenary Assembly the previous day to the effect that, by the end of August 1994, only 56 Member States had paid their contributions to the regular budget in full, while 70 Member States had made no payments. Moreover, by the end of September 1994, there were still 62 Member States which had made no payment. That state of affairs demanded urgent attention. His own country had been making every effort to discharge its financial obligations and, as a result of a recent payment, was up to date with its contributions, as of the end of September, both to the regular budget and to peace-keeping operations.

3. The new scale of assessments for the period 1995-1997 recommended by the Committee on Contributions was in accordance with the criteria set forth in General Assembly resolution 48/223 B, which had been adopted by consensus after long and difficult negotiations. The Committee's conclusion that the 50 per cent phase-out of the effects of the scheme of limits should be spread over three years fairly reflected the compromise that had formed the basis of the resolution, and his Government was prepared to accept the Committee's recommendation, despite the fact that it would mean in increase of 3.2 percentage points in Japan's share of the total assessed contributions. His Government hoped that the Fifth Committee would adopt the recommendation by consensus and, in order to assist in the attainment of that goal, had offered 10 points for the purpose of ad hoc adjustments (mitigation) to be distributed among 10 developing countries.

4. In resolution 48/223, which had been adopted because of the concern felt by an increasing number of countries about the need to devise an equitable and fair methodology for the scale of assessments, the General Assembly had decided, in principle, to establish an ad hoc body to study the implementation of the principle of capacity to pay. His delegation hoped, and expected, that the Committee on Contributions would successfully complete its review of the methodology and that the ad hoc body would be able to begin its work in the near future.

5. His delegation also noted with interest the concern expressed by the Committee on Contributions in its report (para. 50) about the complexities and ambiguities concerning the multiple sources and types of exchange rate and, in particular, the increasing effect of money speculation on market exchange rates. It was encouraging that the Committee intended to address the exchange-rate issue with a view to establishing well-defined criteria for converting national income data to United States dollars.

6. While all Member States felt the need to ensure that their contributions were used wisely and efficiently, they had a collective responsibility to ensure the financial soundness of the Organization. In that context, it was important to devise a formula for the scale of assessments that satisfied the criteria of fairness, equity, simplicity, consistency and stability, and his delegation was ready to cooperate with those of other Member States to achieve that end. It looked forward to constructive deliberations on the scale of assessments and hoped that the Fifth Committee would be able to reach a conclusion by consensus.

7. Mr. MÜNCH (Germany), speaking on behalf of the European Union and Austria, said that they regarded the scale of assessments for the apportionment of the expenses of the United Nations as one of the most important items on the agenda of the Fifth Committee, particularly in the light of the fact that any change in the scale of assessment for contributions to the regular budget of the United Nations would also have an impact on the contributions of States to other international organizations.

8. The collective contributions of the countries of the European Union and Austria currently amounted to 30.97 per cent of the budget and would increase to 33.56 per cent if the recommendations of the Committee on Contributions were accepted by the General Assembly. In that context, he recalled that, had it not been for the full, prompt and unconditional payment by those countries of their assessed contributions, the cash-flow difficulties of the Organization would have been considerably greater. The fulfilment of their financial obligations was one of the ways in which they demonstrated their commitment to the United Nations.

9. In December 1993, the States members of the European Union and Austria had joined the consensus on resolution 48/223 which provided, inter alia, for a comprehensive review of the scale methodology. Within the limits set by that resolution, the Committee on Contributions had performed its task well; the countries of the European Union and Austria considered that the recommendation of the Committee, through the partial phasing out of the scheme of limits and the limited shortening of the base period, marked a step forward towards the implementation of the principle of capacity to pay and met some of the concerns expressed by the countries of Eastern Europe.

10. The proposed new scale, however, was only a first step and much remained to be done in order to devise a more transparent and simplified scale which would better reflect each Member State's real capacity to pay, and thus complete the process of addressing all the elements in the current methodology which, over the years, had failed to reflect that principle in an entirely satisfactory manner.

11. The European Union and Austria very much regretted the continued recourse to mitigation, which was contrary to the spirit of resolution 45/256 A and should not be part of negotiations on a scale of assessments applicable to sovereign States. The current debate was not, however, the appropriate occasion for a full discussion of the deficiencies of the current scale, since resolution 48/223 C provided for a comprehensive review of all aspects of the methodology by the Committee on Contributions and by the General Assembly at its fiftieth session.

12. In conclusion, he said that the countries of the European Union and Austria were prepared to accept in full the recommendation of the Committee on Contributions regarding the scale of assessments (A/49/11, para. 60), including the progressive phase-out of 50 per cent of the effects of the scheme of limits over a three-year period.

13. Mr. BAHADUR (Pakistan) said that the volume of unpaid assessed contributions to the United Nations was a matter of grave concern to all Member States but that the chief problem lay not in the scale of assessments but rather in the failure of Member States to meet their financial obligations.

14. The relative capacity of developing countries to contribute to the United Nations had declined since the previous readjustment of the scale of assessments and the gap between the poorest and the richest nations had widened. It followed that the burden of a new readjustment of the scale should fall on those countries that could best afford to pay. Capacity to pay, in accordance with the rules of procedure of the General Assembly, must remain the paramount consideration. His delegation felt that it would not be advisable, through the application of a new and radically different formula, to distort the actual capacity of Member States to pay. Although much had been said about the anomalies in the current scale methodology and its application, it must be recognized that the methodology had remained in effect for a great many years and that the introduction of a new approach might undermine the consensus that had been maintained in that area.

15. On the subject of the proposed ad hoc body referred to in General Assembly resolution 223 C, his delegation wished to point out that the Committee on Contributions had already been mandated to advise the General Assembly on the apportionment of the expenses of the United Nations according to capacity to pay and that the proposed new body was likely to duplicate the work of that Committee and cause a further drain on the resources of the United Nations.

16. His delegation had taken careful note of the important statement made by the Secretary-General to the General Assembly the previous day and shared his concern with regard to the alarming financial situation of the Organization. His country would be actively involved in any discussions as to how to improve the situation with a view to placing the finances of the United Nations on a strong and permanent foundation.

17. The growing responsibilities of the Organization had placed an increasing burden on its comparatively meagre human and financial resources. It was

important, in discussing the problems currently being faced, to take into account the political mandate of the Organization, together with the need for effective funding based on realistic considerations. Any attempt to find solutions based on short-term expediency that would further weaken emerging democracies or the struggling economies of the developing countries would be detrimental to their long-term interests and would be contrary to the spirit of the United Nations.

18. Mr. SYCHOU (Belarus) said that the future of the United Nations would depend on the pragmatism and wisdom with which the General Assembly approached the question of the scale of assessments for contributions to the regular budget, one of the most complex issues currently facing the Organization. In the view of his delegation, the key to avoiding further difficulties in the functioning of the United Nations as a result of the growing financial crisis was an improvement in the scale of assessments and greater responsibility on the part of Member States in fulfilling their financial obligations.

19. There was widespread dissatisfaction among Member States with the current system for the apportionment of expenses, and he expressed his appreciation to the members of the Committee on Contributions for the work they had done in formulating their proposals for the scale methodology for the three-year period 1995-1997, on the basis of General Assembly resolution 48/223.

20. However, the progress that had been achieved was only a first step. In order to resolve the major problems of funding the activities of the United Nations, it was essential to ensure that the contributions of Member States were based above all on their capacity to pay, to avoid any politicization of the scale of assessments and to remove from the scale any element which tended to distort its mathematical logic. That was by no means easy to achieve. During the discussions that had taken place, his delegation, in a spirit of compromise, had accepted a number of the points that had been incorporated into the proposed scale; a consensus could only be achieved if all States were willing to relinquish some of their interests in order to solve a global problem.

21. Belarus, however, continued to regard General Assembly decision 47/456, whereby its contribution was increased almost one and a half times to 0.48 per cent, as extremely unjust.

22. At the same time, his delegation found it very hard to understand the position of those States that wished to maintain the very long base period, given that even the proposed seven- or eight-year base period did not make it possible to evaluate objectively the real capacity of Member States to pay. His delegation was also concerned about the problems connected with the elimination of the distorting effects of the scheme of limits. In that context, it considered that the Committee on Contributions had not fully carried out its mandate under resolution 48/223. For example, the requirement clearly expressed in section B, paragraph 3, of that resolution that the specific circumstances of Belarus and Ukraine should be taken into account had not been met. It should also be noted that the rate of assessment for Belarus which had been unjustly determined in 1992 following the collapse of the former Soviet Union had been

taken as the starting point for the calculations of its proposed rate of assessment for the period 1995-1997. His delegation continued to insist that the rate for Belarus established by resolution 46/221 was, from the legal and procedural point of view, the only correct one.

23. On the subject of the proposed phase-out of the scheme of limits, he said that, in order to deal with the shortcomings of the scale of assessments, the 50 per cent phase-out of the effects of the scheme should be carried out in the first year of the new period. By using the gradual approach, the complete elimination of the effects of the scheme of limits would be delayed for six years, in other words it would not be completed until the year 2000.

24. Despite the very difficult economic situation of Belarus, the Government was endeavouring to meet its financial obligations to the Organization and had paid $2.7 million of its contribution to the regular budget. That had been achieved despite a catastrophic deterioration in his country's balance of payments, the negative balance of which had amounted to $300 million in the first quarter of 1994 alone. By the end of the current year, the country's external debt would amount to $2 billion, yet in the calculations of the new scale of assessments allowance had been made for a debt of only $183 million. In the circumstances, it was evident that Belarus could not meet the current level of its contributions to the United Nations budget; its assessment was an obstacle to its full participation in the activities of the United Nations and its specialized agencies. His delegation therefore hoped that the Fifth Committee, at its current session, would take account of the circumstances he had described and would find a way to bring the rate of assessment for Belarus into line with its real capacity to pay.

25. Mr. PANTIRU (Republic of Moldova) said that his country's difficulties in meeting its obligations to the United Nations were due to the complicated economic situation in which it found itself, and to the unjustifiably high rate of assessment recommended for it by the Committee on Contributions two years previously. While the Government was doing its utmost to meet its obligations, there was a general feeling in his country that the financial price for United Nations membership was too high. The increasingly political problem of the over-assessment of some Member States was a threat to his country's full-fledged status in the United Nations, and his Government attached great importance to the problem.

26. His delegation was one of fifteen which had recently circulated a joint position paper on the phasing-out of the scheme of limits for the period 1995-1997. In addition, it considered even the assessment rate proposed for 1997 as not fully reflecting its own current capacity to pay. The gradual three-step phase-out of the scheme of limits would only add to the difficulties of the States concerned, and it would not ease the financial difficulties of the United Nations as it would interfere with the ability of those States to fulfil their obligations with regard to the regular budget and the peace-keeping budgets.

27. His delegation fully supported the request of the Committee on Contributions for comprehensive data on exchange rates for all countries so that real figures for national income in United States dollars would be available the following year.

28. The complexity of the current methodology for determining the scale of assessments made it very difficult to explain to, or gain the support of, financial and legislative bodies outside the United Nations which were responsible for approving payments of contributions to the budget of the Organization. He hoped that the current year would be the last in which that methodology was used, and expressed his delegation's readiness to renew discussion of the "clean slate" approach.

29. Mr. BARAC (Romania) said that the consensus reached by the Committee on Contributions on the scale of assessments for the period 1995-1997 reflected the technical divisiveness of that issue. Furthermore, the current scale had had to be established in the context of the profound political and economic transformations that had taken place in the countries of Central and Eastern Europe and in the former Soviet Union and that had determined an entirely new approach to the calculation of their rates of assessment.

30. His delegation felt that a simple and clear scale methodology would be more accurate and more adaptable to current economic realities. It was his understanding that what was required was a more stable methodology, not a stable scale. The proposed 50 per cent phase-out of the scheme of limits during the three-year period 1995-1997 was an important step towards the elimination of the distorting effects of the current methodology. However, attempts to simplify the methodology had led to further difficulties for the Committee on Contributions. As an expert body, the Committee on Contributions should not be responsible for the political decisions taken by the Fifth Committee. In that connection, he reiterated his delegation's position that the economic difficulties of certain countries could only be resolved through political decisions of the General Assembly.

31. His delegation believed that a more pragmatic approach should be taken to the scale of assessments in order to reflect more accurately the true capacity of Member States to pay. Fairer burden-sharing would improve perceptions of the United Nations and remove political obstacles to the payment of assessed contributions.

32. Mr. Teirlinck (Belgium) took the Chair.

33. Mr. BIRENBAUM (United Sates of America) said that by 31 December 1994, his country would have paid more than $1.4 billion in assessed contributions to the regular budget and the budgets for peace-keeping operations, thereby improving the Organization's financial situation. The United States generally supported the recommendations of the Committee on Contributions, but still held the view that a three-year base period - rather than an eight or ten-year base period - would strike a better balance between economic reality and stability. It also supported the phasing out of the arbitrary scheme of limits and of such other

adjustments to national income as produced unnecessary distortions. The low per capita income allowance should be restricted to Member States with relatively small economies. His delegation supported the maintenance of ceiling and floor rates; a ceiling prevented the Organization from becoming overly dependent on one Member, while a floor gave each member a minimum financial stake in activities it might authorize.

34. Despite some improvements, the current scale methodology continued to reflect a significant departure from the values of simplicity, transparency and equity in burden-sharing. His delegation hoped that the comprehensive review to be carried out by the Committee on Contributions in 1995 would facilitate agreement on an improved methodology. In that regard, he stressed the need for a long-lasting solution to the issue of exchange rates, which strongly influenced the assessment rates of many Member States. It was hoped that the critical study of the subject which was to be prepared by the Secretariat would lead to a clear and equitable system for exchange rate conversions.

35. In conclusion, he urged the Committee to continue its efforts to achieve a scale which wold fairly allocate the burden of supporting the Organization and would be immediately understandable and self-adjusting to reflect changing economic realities.

The meeting rose at 11.20 a.m.